

NEMT Capitation Rate Development

General Background

The State of Missouri (State) has requested that Mercer Government Human Services Consulting (Mercer) calculate capitation rates for non-emergency medical transportation (NEMT) services for Medicaid-eligible populations and regions not currently covered under managed care. Where appropriate, region-specific rates will be developed for the following populations:

- Medical Assistance for Families, Children and Pregnant Women (MAFCP)
- Aged, Blind and Disabled (ABD)

The vendor will be required to provide transportation services for MAFCP and ABD recipients eligible under the NEMT contract. The Medical Eligibility (ME) codes for covered populations are outlined, by region, in Attachment 1 of the RFP. The vendor will not be responsible for providing transportation to any recipient locked into a managed care health plan.

Mercer will use Missouri-specific NEMT experience data from State Fiscal Years (SFY) 2002, 2003 and 2004 to establish cost levels for each population for the regions described below. Please note that for the MAFCP population, all regions will be combined for a single, state-wide rate.

Region	Counties
1	Franklin, Jefferson, St. Charles, St. Louis County, and St. Louis City counties
2	Cass, Clay, Jackson, Johnson, Lafayette, Platte, and Ray counties
3	All other counties

Mercer's approach will include projecting experience data to the contract period, adjusting for trend and programmatic changes, and including an allowance for administration expenses. The capitation rates developed will be all inclusive of the services detailed in the RFP including transportation services, ancillary services, gas reimbursement, fixed wing services and special circumstance transportation.

It should be noted that fixed wing and special circumstance services will now be included in the final capitation rate. A broker's fee for referral of these services to a public entity will be paid through the administration portion of the capitation rate. No additional fees will be paid for these services outside of the capitation. This experience is summarized in the base data provided.

Base Data

Mercer received claims data for NEMT services provided to fee-for-service recipients in SFY 2002, 2003 and 2004. This data includes claims with dates of payment through August 6, 2004. Mercer applied completion factors to the more recent years of data to account for claims run out. SFY 2002, 2003 and 2004 data are summarized in Appendix A.

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Mercer summarized the data by type of service into four different rate cohorts, including three ABD groups (one for each of the three regions) and one for the MAFCP group. The MAFCP group was not broken down by region, because the experience data for this group in Region 1 and Region 2 is not sufficiently credible to estimate capitation rates due to the presence of managed care in these regions.

Capitation Rate Development

Mercer will trend each year of experience data, by service type, to SFY 2004. Mercer will then use a credibility blending process to combine the three years of experience into a single base year, SFY 2004. The credibility factors will be 5% for SFY 2002, 15% for SFY 2003 and 80% for SFY 2004.

The capitation rates will reflect the changes to the NEMT program for the upcoming contract period. To develop these NEMT capitation rates, trend, programmatic changes and an administration load will be applied to the blended SFY 2004 base data.

Programmatic Changes

Comprehensive Day Rehabilitation

- The costs related to comprehensive day rehabilitation transportation will now be included in the NEMT capitation rates. A programmatic change will be applied to the blended SFY 2004 base data for each rate cohort to account for the vendor's responsibility for providing these services. This programmatic change is based on the average cost per recipient per year of providing comprehensive day rehabilitation services and on the average number of recipients on the DHHS waiting list for whom DMS must provide these services.

Managed Care Carved Out Services

- The costs related to transportation of managed care recipients to managed care carved out services will now be excluded from the NEMT capitation rates. Instead, the managed care health plans will now have payment responsibility for the costs related to these transportation services. The historical fee-for-service (FFS) costs for these services have been removed from the base data and are not reflected in Appendix A.

Ancillary Services

- The final capitation rates developed by Mercer will reflect the gas reimbursement rates that are in line with those received by Missouri state employees for travel. A web-site is provided in the RFP to access a list of these rates. A programmatic change will be applied to the blended SFY 2004 base data of \$0.15 per mile to reflect the state employee reimbursement rate effective for SFY 2004.
- Due to a policy change, only meals and lodging associated with an overnight stay for recipients under the age of 21 and one parent/guardian to accompany the child will be reflected in the final capitation rates. If necessary, a recipient may request an attendant from the broker to accompany them on the trip. The attendant's transportation and ancillary costs will be covered only if the attendant is hired by or contracted by the broker. Reimbursements

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for these ancillary services will follow the schedule currently in use by Missouri state employees for travel. A schedule of these reimbursement rates may be requested from the State. The data for these services, in Appendix A, reflect the current program benefit design including costs for all recipients - regardless of age, parents, siblings, and escorts.

Co-Payments: The State is currently considering requesting co-payments for this program and is working with CMS to gain approval. In the event co-payments are approved as requested, the methodology stated below will be followed. If the structure of this co-payment is revised, the methodology will be changed to reflect the revision.

A \$3.00 co-payment per round trip will be applied to services based on the following assumptions:

- Co-payments will be waived for bus transportation and gas reimbursement, and
- Co-payments will be waived for pregnant women, individuals in long-term care facilities, and children under age 18.

Based on data provided by the State, Mercer determined the portion of services rendered that would require co-payments. Mercer assumed that the unit cost for this portion of the services, which varied by region and type of service, would be reduced by the amount of the co-payment. Mercer also may make a reduction to the utilization of services where co-payments apply to reflect the potential for eligibles to choose alternative modes of transportation when out-of-pocket expenses can be minimized and to reflect the ability of the vendor to deny services for non-payment of co-pays.

Trend

A trend factor is necessary to estimate the expense of providing services in a future time period. As part of the NEMT rate development for the MC+ FFS program, Mercer will develop trend rates and trend the blended SFY 2004 base data to the midpoint of the contract period. The following data sources are considered in the development of trend:

- MC+ FFS utilization and cost trends experienced in SFY 2002, 2003, and 2004,
- National Indices – These indices include the Consumer Price Index, Producer Price Index, and Data Resource, Incorporated information, and
- FFS trends observed in other NEMT Medicaid programs.

Administration Expenses

Mercer will then develop the administration expense load assumption. This load assumption will include administration, contingencies and profit not captured in the claims data. These costs include general administration of running a business and expenses related to operating an Intake and Dispatch Call Center.